

EXHIBIT A

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

UNITED STATES OF AMERICA,)	
)	
Plaintiff,)	
)	
v.)	Cr. No. H-02-0665
)	
ANDREW S. FASTOW,)	
)	
Defendant.)	

Exhibit A to Plea Agreement

This statement by defendant Andrew S. Fastow is submitted to provide a factual basis for my plea of guilty to Counts 2 and 5.

1. I was the Chief Financial Officer ("CFO") of Enron Corporation ("Enron") from March 1998 until October 24, 2001. While CFO, I and other members of Enron's senior management fraudulently manipulated Enron's publicly reported financial results. Our purpose was to mislead investors and others about the true financial position of Enron and, consequently, to inflate artificially the price of Enron's stock and maintain fraudulently Enron's credit rating.
2. I also engaged in schemes to enrich myself and others at the expense of Enron's shareholders and in violation of my duty of honest services to those shareholders.
3. Certain of these fraudulent transactions and schemes, for which I accept responsibility, are detailed below.

Manipulation of Financial Statements - Count Five:

4. I conspired with others at Enron to manipulate the company's financial statements by, among other things, causing Enron and the LJM entities under my control, including LJM Cayman and LJM2 (collectively "LJM") to enter into improper transactions. The purpose of certain of these transactions was to improve the appearance of Enron's financial statements by (1) generating improper earnings and funds flow; (2) enabling Enron to set inflated "market" prices for assets; and (3) improperly protecting Enron's balance sheet from poorly performing and

volatile assets. Certain LJM transactions lacked economic substance and were improper for accounting purposes, in part because I and others secretly agreed that LJM would not lose money through participation in the transactions.

5. Among the improper Enron-LJM transactions were four special purpose entities ("SPEs") known as the "Raptors." The Raptors purported to be independent, unconsolidated entities with which Enron would hedge the value of certain assets. I and others knew that the Raptors were not sufficiently independent from Enron and should not have been deconsolidated. As a result, Enron overstated its earnings. I and other members of Enron's senior management knew the impact of the Raptors on Enron's financial statements.
6. The first Raptor vehicle, Talon, was created in April 2000 to protect Enron's balance sheet from decreases in the value of certain investments. Talon was capitalized mainly by Enron through a promissory note and Enron's own stock. The remainder of Talon's capitalization came from LJM2's payment of \$30 million. The purpose of this \$30 million payment was to provide Talon the "outside equity at risk," required for accounting purposes, to qualify Talon as an independent third party entity. The structure of Talon was used as the model for two of the remaining three Raptor entities.
7. I and others at Enron, including Enron's Chief Accounting Officer, had an unwritten agreement that LJM2 would be paid the return of its investment, plus a profit, prior to Talon engaging in any hedging, in exchange for my agreement to allow Enron to flexibly determine what assets would be hedged by Talon and the values at which they were hedged.
8. To fulfill this agreement, I and others arranged for Enron to pay \$41 million to LJM2 before Talon, the first Raptor, would engage in the hedging transactions for which it was created. The \$41 million payment was accomplished by Enron and Talon entering into a "put" agreement, that is, a transaction that purportedly served to hedge Enron against a decline in its own stock value. In September 2000 Enron paid LJM2 the \$41 million¹ and, thereafter, dictated the assets that would be hedged by Talon and their values. The put was designed as an ostensible reason to make a distribution of \$41 million to LJM2, economically providing a return both of and on capital.

¹Approximately \$6 million was placed back into Talon pursuant to an unwritten agreement I had with Enron's Chief Accounting Officer.

9. Following the payment of the \$41 million, Enron exercised control over Talon and used it fraudulently to meet Wall Street expectations regarding Enron's financial performance. I, on Talon's behalf, allowed Enron to place numerous problematic assets in Talon, without regard to the present or future value of the assets or to their potential effect on Talon's financial viability. I understood Talon was set up as a way to conceal the poor performance of certain Enron assets, and that the hedging of these assets at values set by Enron misled investors by fraudulently improving the appearance of Enron's financial statements.
10. One example of how the Raptors were improperly used by me and others involved a "hedge" of an investment Enron made in a fledgling technology company known as AVICI ("the AVICI hedge"). I and others, including Enron's Chief Accounting Officer, agreed to date the AVICI hedge August 3, 2000, in order to lock in the value of AVICI (a volatile stock) at its all-time high and not incur the known and quantifiable loss from the AVICI stock having declined after August 3, 2000. Although this agreement provided no economic benefit to LJM2, it took place because LJM2 already had received its money and guaranteed profit from Enron in the form of the \$41 million payment.

Self-Dealing Transactions – Count Two:

11. I also conspired with others to and did engage in transactions designed to enrich myself and others in violation of my duties to Enron's shareholders.
12. One of these transactions involved an SPE called LJM Swap Sub, LP ("Swap Sub"). The general partner of Swap Sub was LJM Cayman, which I controlled, and the limited partners were affiliates of National Westminster Bank ("NatWest") and Credit Suisse First Boston ("CSFB"). As explained below, in March 2000, in my capacity as general partner of Swap Sub, I misled Enron so that Swap Sub would improperly obtain approximately \$19 million. I knew that the money was to be distributed to individuals and entities who were not entitled to receive it, including employees of Enron and LJM.
13. In June 1999, LJM Cayman and Swap Sub entered into a series of derivative transactions with Enron concerning a company that Enron invested in called RhythmsNetconnections, Inc. ("RhythmsNet"). The purpose of these derivatives was to afford Enron price protection in the event that the share price of RhythmsNet declined. In exchange for these derivatives, Swap Sub received approximately 3.1 million shares of Enron stock and approximately \$3.75 million.

14. Due to a dramatic increase in the market price of Enron stock, the value of Swap Sub (whose primary asset was Enron stock) had also increased dramatically. I was, however, barred from profiting from any increase in the value of Enron stock held by Swap Sub. In approximately February 2000, I and others, including three bankers employed by NatWest, participated in a scheme to extract this increased value by defrauding Enron and NatWest.
15. Enron paid \$30 million for the Swap Sub buyout. That price was based on my misleading representation to Enron that the limited partners of Swap Sub had agreed to sell their interests in Swap Sub for \$20 million and \$10 million, respectively. In fact, NatWest had agreed to sell its interest in Swap Sub for only \$1 million, not \$20 million. I knew that the NatWest bankers induced NatWest to sell its interest in Swap Sub for \$1 million at a time that they knew the interest was worth significantly more.
16. As a result of their participation in the scheme, the three NatWest bankers together received approximately \$7.3 million in proceeds. The balance of the remaining proceeds went to individuals and entities who were selected as "investors" in an entity called Southampton Place LP ("Southampton"). The Southampton "investors" were (1) a foundation in the name of my family, which contributed \$25,000 and received approximately \$4.5 million; (2) Enron employee Michael Kopper, who contributed \$25,000 and caused another entity under our control to loan an additional \$750,000, and received approximately \$4.5 million; and (3) five Enron and LJM employees agreed upon by Kopper and me, who contributed a total of less than \$20,000 and received a total of approximately \$3.3 million. I caused the foundation, called the Fastow Family Foundation, to be created for the purpose of receiving funds from the sale of Swap Sub. I intended to use and did use the foundation to make charitable contributions that I might otherwise have made from my own assets for the purpose of enhancing my position and stature in the community. In addition, by allowing the LJM employees to "invest", I personally benefitted as I did not have to pay these employees year-end bonuses out of money that would otherwise have gone to me as general partner.

* * * * *

17. I understood that these schemes would have a material effect on Enron's financial statements (which Enron shareholders and potential shareholders relied upon in making investment decisions) or would have an otherwise deleterious impact on the company. Enron's stock was traded on the New York Stock Exchange. I also understood that interstate wire transmissions would be and were used in furtherance of each scheme. Specifically, I knew that the payment of proceeds to

me and others, and filings by Enron with regulators of misleading financial statements, would be sent and received by means of interstate wires.

18. The preceding statement is a summary, made for purpose of providing the Court with a factual basis for my guilty pleas to Counts 2 and 5 of the Superseding Indictment. It does not include all of the facts known to me concerning criminal activity in which I and other members of Enron's senior management engaged. I make this statement knowingly and voluntarily and because I am in fact guilty of the crimes charged.



Andrew S. Fastow

1/14/04
Date